

International Small Companies

Bay County Employees' Retirement System

September 2013

Representing Schroders:

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Schroder Investment Management North America Inc.
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Schroders

Investment Philosophy & Team



Schroders

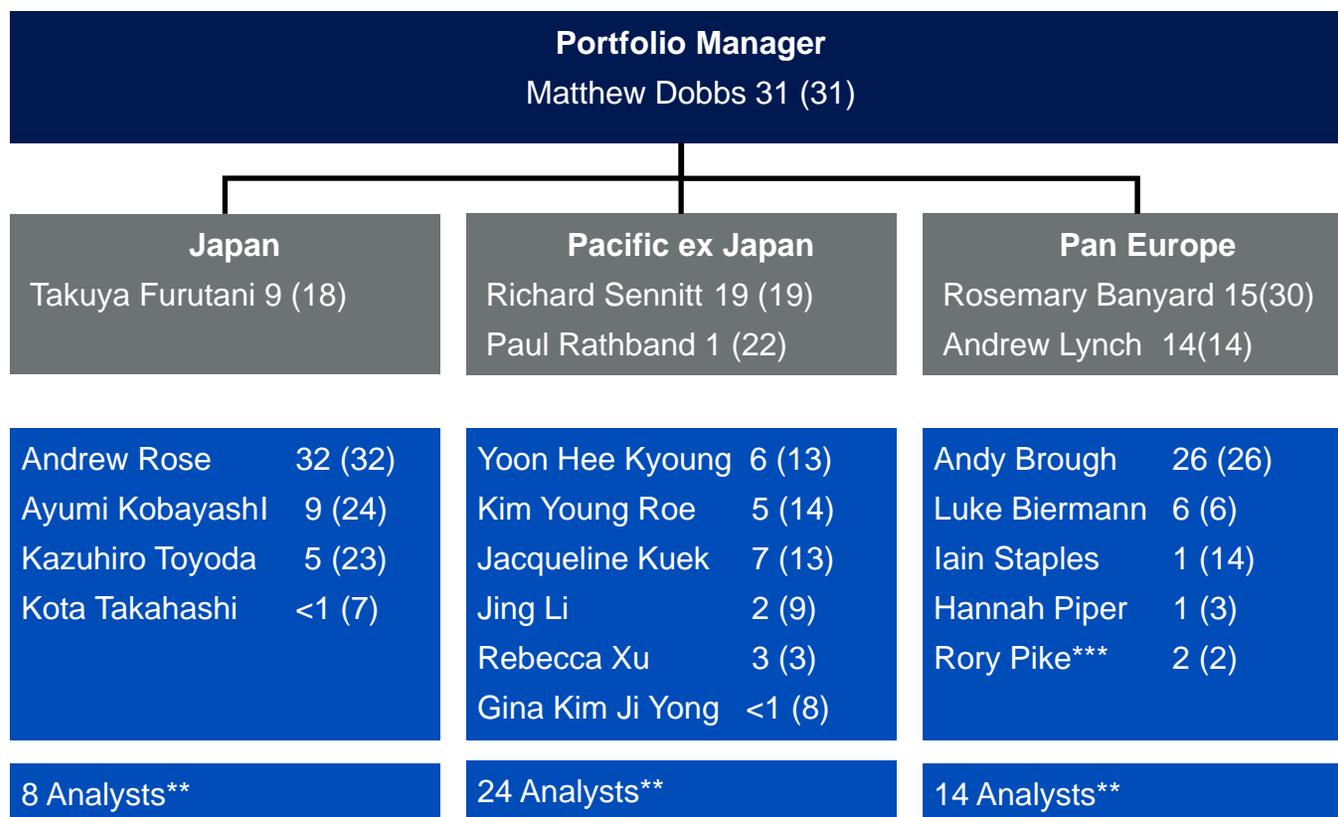
Investment philosophy

- Growth and Quality, but at a reasonable price
- Stock selection primary source of value added
- Long-term time horizon
- Strong risk framework
- A dedicated team

Resources

International smallcap

- 21 specialists in international small company research and investment*
- Regional sector analysts assume coverage where sectoral knowledge offers clear benefits
- Primary research conducted out of Schroder research offices globally
- Cross fertilization of investment ideas between regions



= Number of years with Schroders
 (#) = Numbers of years investment experience
 *Source Schroders as of June 30, 2013
 ** June 30, 2013
 *** Includes other coverage

Positioning & Performance



Schroders

Investment Environment

–International smallcap equities made strong progress over the twelve month period with the S&P EPAC SmallCap Index rising 20.6%, outperforming larger peers which rose 18.6% as represented by the MSCI EAFE Index.

–The United Kingdom was the outstanding performer among major markets with small companies substantially outperforming large companies and rising 30.6% over the year. Smaller companies also outperformed in the rest of Europe, rising 25.4% overall, reflecting a more stable monetary picture and a starting point of relatively cheap valuations.

–Despite the “Abenomics” inspired rally, Japanese smallcap offered sub par returns and well short of largecap (14.7% versus 22.2%). This was still appreciably above the mere 5.0% generated in the rest of Asia, which was also well behind the 12.2% return from larger companies in those markets.

S&P EPAC SmallCap Index vs MSCI EAFE Index

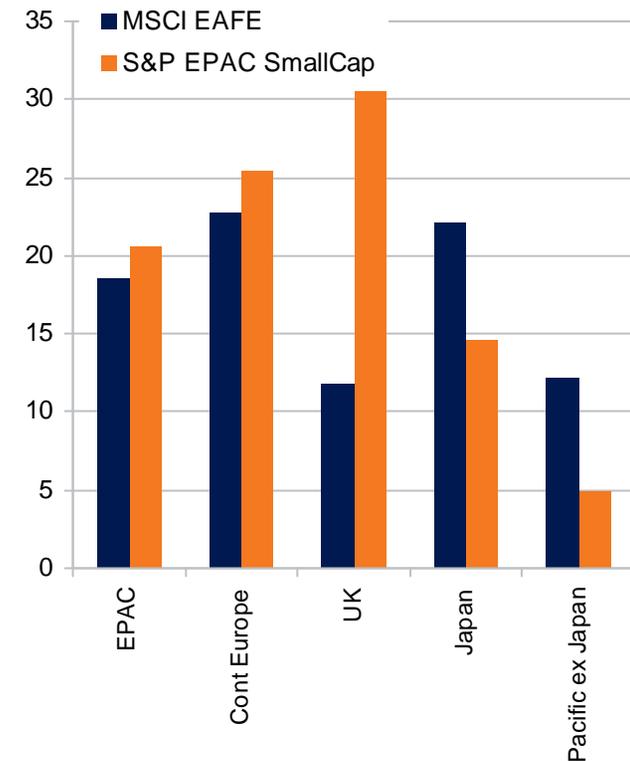
June 1989 = 100



Source: Schroders, S&P, MSCI, June 30, 2013

MSCI EAFE & S&P EPAC SmallCap Index Performance in US\$(%)

12 months to June 30, 2013



Source: Schroders, S&P

Performance

SISCO** - Bay County Employees' Retirement System

Benchmark: S&P EPAC SmallCap Index plus 150 basis points

Value: US\$ 10,365,938 as at June 30, 2013

Inception date: June 30, 2006

Performance to June 30, 2013 (in US\$%)

	3 months	Year-to-date	1 year	3 years*	5 years*	Since Inception*
SISCO**	+0.3	+7.1	+19.8	+11.8	+3.0	+4.0
Index***	-1.6	+6.2	+22.1	+13.5	+3.3	+4.4
S&P EPAC SmallCap	-2.0	+5.4	+20.6	+12.0	+1.8	+2.9
Value Added vs Index***	+1.9	+0.9	-2.3	-1.7	-0.3	-0.4
Value Added vs S&P EPAC SmallCap	+2.3	+1.7	-0.8	-0.2	+1.2	+1.1

Performance Attribution against S&P EPAC SmallCap Index

Contribution from	3 months	Year-to-date	1 year	3 years*	5 years*
Stock Selection	+3.0	+3.1	+0.8	+0.1	+1.4
Region / Currency Allocation	-0.6	-0.8	-0.6	-0.4	-0.2
Timing Residual	-0.1	-0.6	-1.0	+0.1	0.0
Difference Relative to S&P EPAC SmallCap	+2.3	+1.7	-0.8	-0.2	+1.2

*Annualized

** Schroder International Small Companies Fund (SISCO).

*** S&P EPAC SmallCap Index plus 150 basis points

Source: Schrodgers, S&P, RPA

Past performance is not an indication of future performance. Please see full disclosures at the end of the presentation

Performance & Performance Attribution

12 months June 30, 2013

	SISCO*		S&P EPAC SmallCap		Total Effect
	End Weight	Total Return	End Weight	Total Return	
UK	20.2	33.1	22.5	30.5	0.3
Continental Europe	36.9	27.9	39.7	25.6	0.5
Japan	18.7	11.0	22.3	14.7	-0.2
Pacific ex Japan	18.3	9.0	15.5	5.0	0.0
Emerging Markets	2.9	16.9	-	-	0.2
Cash	3.0	-	-	-	-0.6
Residual	-	-	-	-	-1.0
Total	100.0	19.8	100.0	20.6	-0.8

Top 5 Active Contributors

12 months June 30, 2013

	Return (%)	Contribution (%)
Azimut Holding	83.7	0.61
Techtronic Industries	92.8	0.55
Grafton Group	100.5	0.44
Delta Lloyd	50.2	0.43
Smurfit Kappa	154.6	0.43

Top 5 Active Detractors

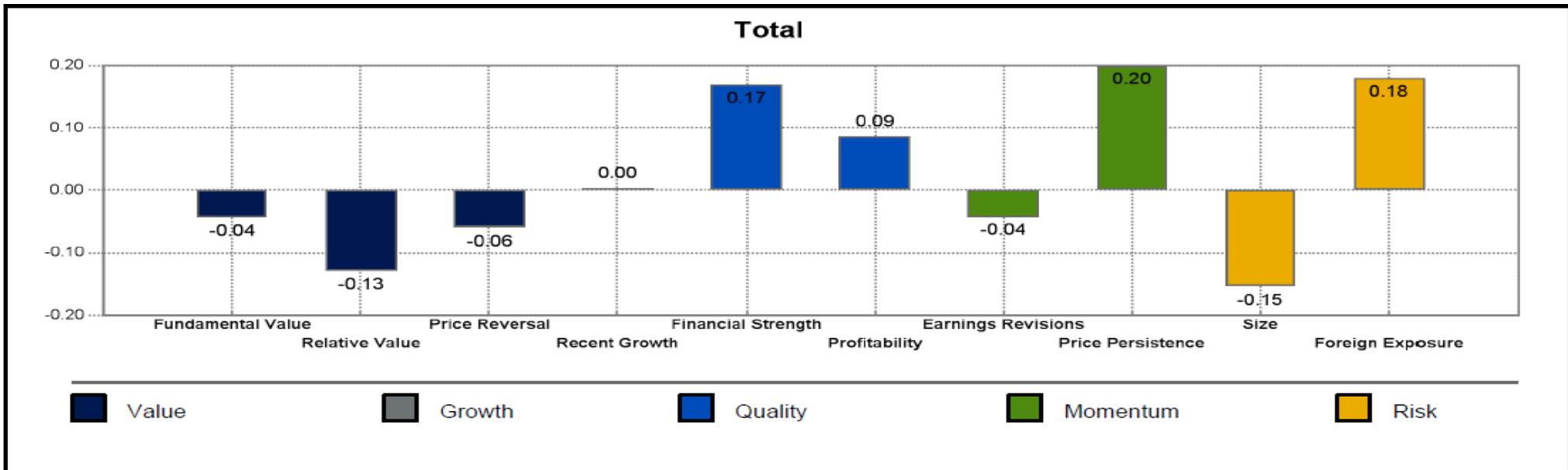
12 months June 30, 2013

	Return (%)	Contribution (%)
Kapsch Trafficcom	-34.5	-0.56
gategroup Holding	-26.1	-0.43
Whitehaven Coal	-52.5	-0.40
Parkson Retail Group	-38.9	-0.38
Mineral Deposits	-57.7	-0.35

* Schroder International Small Companies Fund (SISCO).

Source: Schrodgers, S&P, RPA, Factset PA2

Fund* risk characteristics



Predicted Risk

Tracking Error	2.69%
Tracking Error (Schroders)	1.8%
Beta	0.91
Benchmark Volatility	15.7%
Absolute Fund Volatility	14.5%

Figures from Barra unless otherwise stated)

Active Risk Decomposition (from BARRA)

Stock Specific Factor	51.7%
Industrial Sectors	3.5%
Countries	18.6%
Risk Indices	8.5%
Market risk	17.7%

* Schroder International Small Companies Fund (SISCO).

Source: Schroders Risk Report, as at June 30, 2013

Fund characteristics

Schroders* vs S&P EPAC SmallCap index

As at June 30, 2013

	Schroders*	Index
No of stocks	193	3,024
Free Market Capitalization US\$M		
Minimum	76	6
Maximum	11,200	10,112
Weighted Average	1,568	2,202
Median	817	383

Valuation factors	Schroders*	Index
P/E (12mo trailing)	20.0	19.3
P/CF	9.2	9.0
P/BV	1.6	1.4
Long Term Debt/Equity	45.2	51.2
ROE	12.6	12.0

	Schroders*	Index
Percentage >\$3Bn	16.6%	25.8%
Percentage >\$1Bn <\$3Bn	32.6%	36.2%
Percentage >\$0.5Bn <\$1Bn	20.7%	19.2%
Percentage <\$0.5Bn	30.1%	18.8%
Total	100.0%	100.0%

Valuation factors	Schroders*	Index
3 Year Sales Growth	7.4	6.9
3 Year Dividend Growth	16.4	13.4
3 Year Earnings Growth	26.6	23.5
Dividend Payout Ratio	35.2	36.2
Dividend Yield	2.5	2.5

* Schroder International Small Companies Fund (SISCO).
Source: Schroders Risk Report, Factset

Investment strategy:

Country weightings

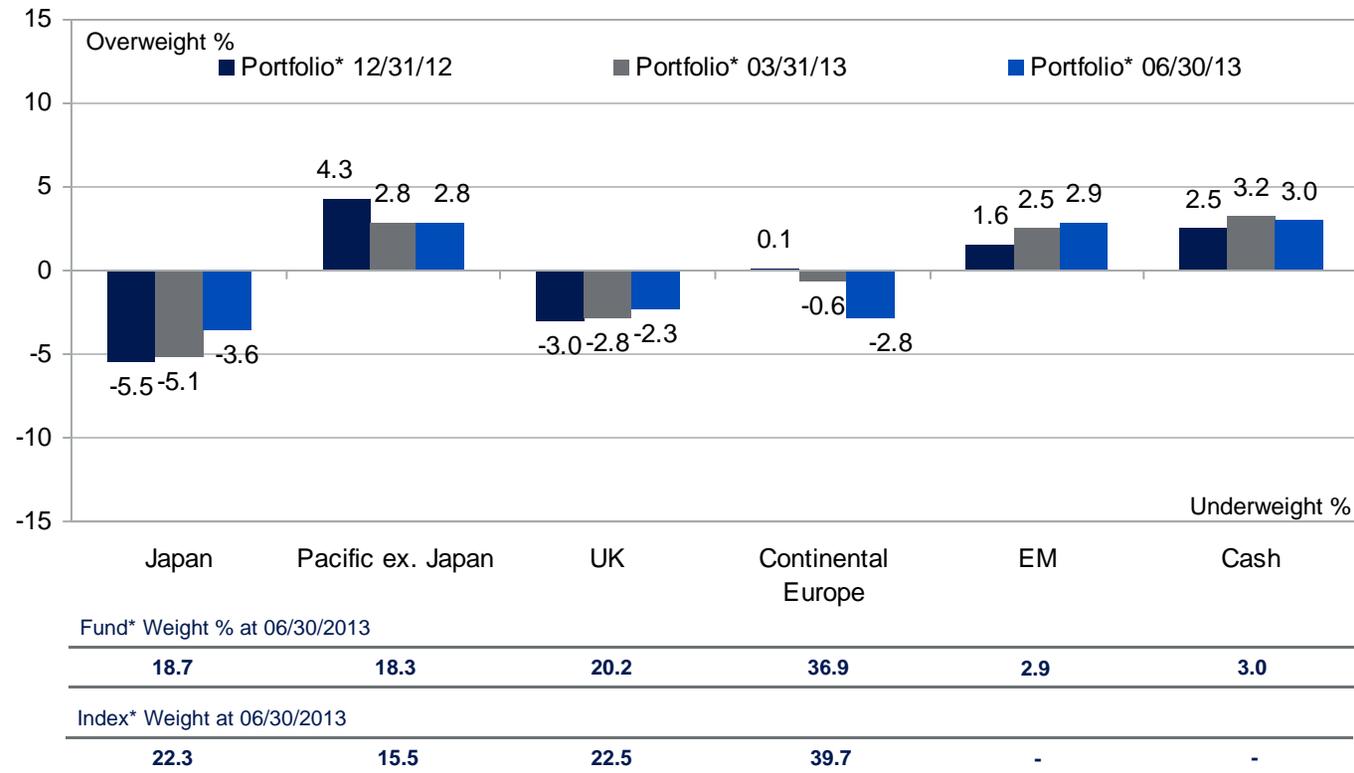
Recent political tremors in Greece and Portugal are reminders of the fragility of the eurobloc. All parties appear to acquiesce in the view that little dramatic can be achieved prior to the German election this September (such is the crucial dominance of Germany in the European economy) with monetary intervention from the ECB remaining the one readily available foundation for a measure of stability. Peripheral current accounts have been improving, but at considerable cost in terms of contracting economies and high unemployment. Meanwhile, the core economies are also suffering, and 2013 is set to be a second year of contraction for the Eurozone economies. Our portfolio positioning in continental Europe reflects the lack of impetus in overall economic activity, seeking out secular growth stocks, unique business models and those operating in attractive niche areas. We remain underweight the periphery.

The modest underweight to the United Kingdom has remained in place. Fiscal credibility has been maintained (just) although elements of electioneering have entered into the Budget calculations (eg overt stimulation for the housing market). Monetary policy looseness has been re-affirmed with Carney taking over the reins at the Bank of England, and sterling continuing to weaken, affording the UK a flexibility denied the periphery of the eurobloc. Mirroring the United States, the UK is seeing a significant shift from the public to private sector alongside a modest upturn in industrial production and falling unemployment.

The Fund remains underweight Japan, although we added modestly, focusing on cheap real estate stocks which had corrected sharply. While happy with what we own, we struggle to find a lot of new investment candidates. We continue to be sceptical over the extent money printing and fiscal measure can address the deep seated structural issues facing Japan, and the "third arrow" measures to address rigidities has failed to impress.

Pacific ex Japan and Emerging Asian markets have been hard hit in the recent correction. Indeed a combination of tightening in the United States at a time when some key growth drivers (China, commodities) are facing strong headwinds does not make for an overly attractive picture short-term. We are prepared to look through this given the undoubted long-term potential, and valuations which, relative to developed markets, are now markedly cheaper than they were even at the nadir of the global financial dislocation of 2008. We have a balance of good quality export names, and those that cater to more domestically based demand eg financials, media and transport.

Measured against S&P EPAC SmallCap Index



* Schroder International Small Companies Fund (SISCO).

Source: Schroders, S&P. Regional weights are subject to change and should not be viewed as an investment recommendation. This slide contains the views of the International Small Cap Team. These views are subject to change and do not necessarily represent the views of Schroders

Portfolio positioning

Country Sector Matrix

S&P EPAC SmallCap Index as at June 30, 2013

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	39.7	4.8	2.4	0.9	8.6	3.4	10.4	3.5	3.6	0.9	1.1
EM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japan	22.3	4.5	2.0	0.1	4.4	1.3	5.4	2.3	2.1	0.0	0.1
Pacific ex Japan	15.5	3.5	1.1	0.6	3.5	1.0	2.3	1.1	1.6	0.4	0.5
UK	22.5	5.4	0.8	1.0	5.0	0.4	6.1	1.5	1.6	0.4	0.4
Total	100.0	18.2	6.3	2.7	21.5	6.0	24.2	8.5	8.9	1.6	2.2

SISCO*** as at June 30, 2012

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	36.9	7.0	1.1	0.8	7.4	3.2	5.7	5.5	4.7	1.4	0.0
EM	2.9	1.4	0.0	0.0	1.3	0.0	0.2	0.0	0.0	0.0	0.0
Japan	18.7	3.3	1.6	0.5	1.9	1.4	4.8	1.9	3.4	0.0	0.0
Pacific ex Japan	18.3	6.9	1.0	0.0	1.9	1.4	3.1	1.4	2.2	0.4	0.0
UK	20.2	4.3	0.4	1.1	2.0	0.5	8.0	2.3	1.2	0.4	0.0
Total*	97.0	22.9	4.1	2.3	14.5	6.5	21.8	11.2	11.5	2.2	0.0

SISCO*** vs S&P EPAC Small Cap Index

	Total	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	IT	Materials	Telecoms	Utilities
Cont. Europe	-2.8	2.2	-1.3	-0.2	-1.2	-0.1	-4.7	2.0	1.1	0.5	-1.1
EM	2.9	1.4	0.0	0.0	1.3	0.0	0.2	0.0	0.0	0.0	0.0
Japan	-3.6	-1.2	-0.4	0.4	-2.5	0.1	-0.6	-0.4	1.3	0.0	-0.1
Pacific ex Japan	2.8	3.4	-0.1	-0.6	-1.6	0.4	0.8	0.3	0.6	0.1	-0.5
UK	-2.3	-1.0	-0.3	0.1	-3.0	0.2	1.9	0.8	-0.4	0.0	-0.4
Total**	-3.0	4.7	-2.1	-0.4	-7.0	0.5	-2.4	2.7	2.6	0.6	-2.2

* Cash 3.0%

** Difference due to 3.0% cash weighting

*** Schroder International Small Companies Fund (SISCO).

Source: Schroders, S&P

Recent Stock Transactions by Region

SISCO*

Significant New Buys since December 31, 2012

Security	Country	Weight June 30, 2013 %
Daibiru Corporation	Japan	0.6
Bursa Malaysia	Malaysia	0.5
Glanbia Plc	Ireland	0.5
Sumitomo Real Estate	Japan	0.5
Persimmon Plc	United Kingdom	0.5
Ig Group	United Kingdom	0.4
Baoxin Auto	China	0.4
Surya Citra Media	Indonesia	0.4
Invensys Plc	United Kingdom	0.4
Sports Direct	United Kingdom	0.3

Significant Complete Sales since December 31, 2012

Security	Country	Weight December 31, 2012 %
Bs Financial	South Korea	0.8
Rheinmetall Ag	Germany	0.8
Tessenderlo Chemie	Belgium	0.8
Debenhams Plc	United Kingdom	0.7
Whitehaven Coal	Australia	0.5
Sdl Plc	United Kingdom	0.5
Parkson Retail	China	0.4
Club Mediterranee	France	0.4
Sims Metal	Australia	0.4
R. Stahl	Germany	0.3

* Schroder International Small Companies Fund (SISCO).
Source: Schroders

SISCO*

Top ten holdings by region – June 30, 2013

Europe

Country	Security	Weight in fund %	Weight in region %
Netherlands	Delta Lloyd	1.8	5.0
Germany	Freenet Ag	1.4	3.7
Germany	Xing Ag	1.4	3.7
Norway	Storebrand Asa	1.3	3.6
Switzerland	Helvetia Holding	1.3	3.5
Norway	Borregaard Asa	1.2	3.1
Switzerland	Kuoni Reisen	1.1	3.0
Germany	Tipp24 Se	1.1	2.9
Sweden	Loomis Ab	1.0	2.7
Germany	Tom Tailor	1.0	2.7
Total		12.6	33.9

Japan

Country	Security	Weight in fund %	Weight in region %
Japan	Nec Networks	0.8	4.4
Japan	Nitta Corp.	0.8	4.3
Japan	Aica Kogyo	0.8	4.2
Japan	Nihon Parkerizing	0.8	4.1
Japan	Tokai Tokyo Financial	0.7	3.9
Japan	Arcs Co.	0.7	3.5
Japan	Unipres Corp.	0.7	3.5
Japan	Nichi-Iko Pharmaceutical	0.7	3.5
Japan	Musashi Seimitsu	0.6	3.5
Japan	Jsp Corp.	0.6	3.5
Total		7.2	38.4

UK

Country	Security	Weight in fund %	Weight in region %
UK	Dcc Plc	1.3	6.3
UK	Daily Mail	0.7	3.5
UK	Bodycote Plc	0.6	3.2
UK	Dignity Plc	0.6	3.1
UK	Ashtead Group	0.6	3.1
UK	Ws Atkins	0.6	3.1
UK	Halma Plc	0.6	2.9
UK	Keller Group	0.6	2.9
UK	Grainger Plc	0.6	2.7
UK	Dechra Pharmaceuticals	0.5	2.6
Total		6.7	33.4

Asia ex. Japan, Emerging Markets

Country	Security	Weight in fund %	Weight in region %
Hong Kong	Techtronic Industries	1.2	5.9
South Korea	Hankook Tire	1.1	5.2
Australia	Ansell Ltd.	0.9	4.3
Australia	Computershare Ltd.	0.9	4.1
Hong Kong	Johnson Electric	0.8	3.9
Australia	Mirvac Group	0.8	3.9
Hong Kong	Samsonite International	0.8	3.6
South Korea	Hansae Co.	0.8	3.6
South Korea	Halla Visteon	0.7	3.4
Singapore	Sembcorp Marine	0.7	3.4
Total		8.7	41.3

* Schroder International Small Companies Fund (SISCO).

Source: Schroders

Investment Outlook & Strategy



Schroders

Overview

Earnings the key

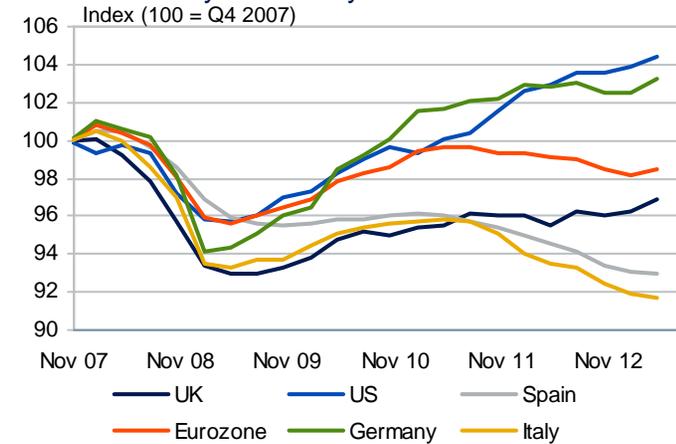
Tailwinds

- Global economy slowly healing
- Low input cost for companies: wages, interest rates, energy and commodities
- Companies are in good shape (strong cash flow)
- Valuations are attractive
- Consensus still underweight in equities

Headwinds

- Tapering?
- Cycles diverging? US vs rest of world
- China in transition
- Impact of weak yen?
- Politics continue to be important: German elections.

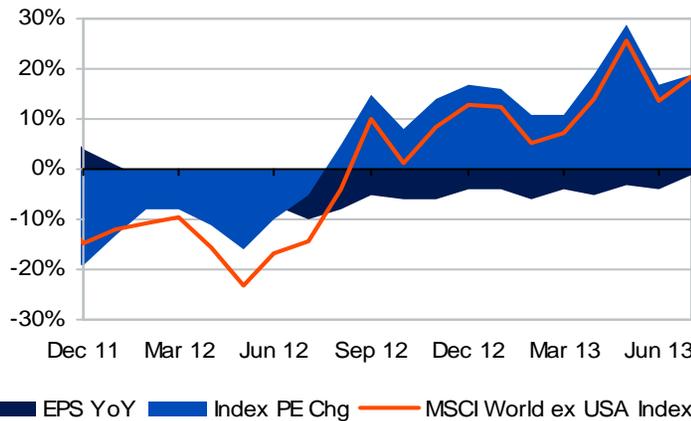
Global recovery – the story so far¹



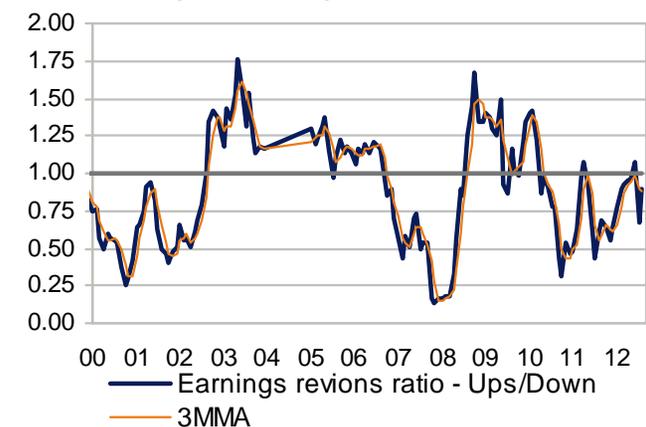
Global economic data upside surprises recover¹



Markets have rerated up²



Now looking for earnings³



Source:

¹ Thomson Datastream, Schroders. August 2013

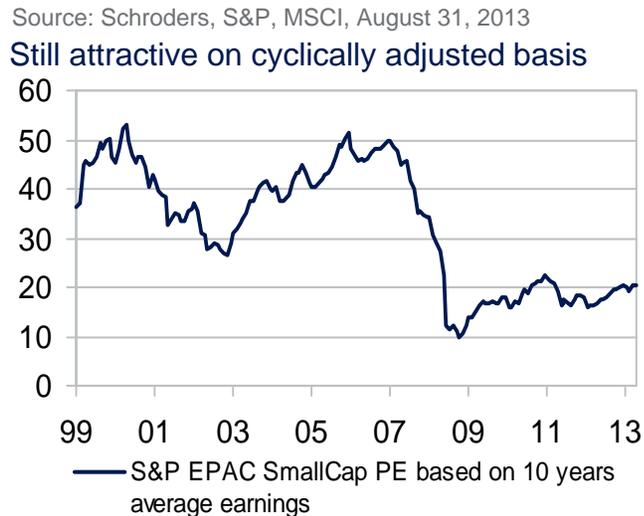
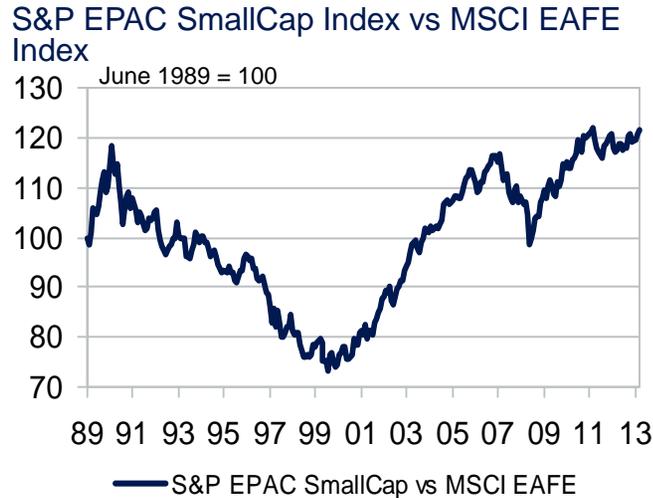
² Merrill Lynch, Pierce, Fenner & Smith Incorporated. July 31, 2013

³ Factset MSCI. August 31, 2013

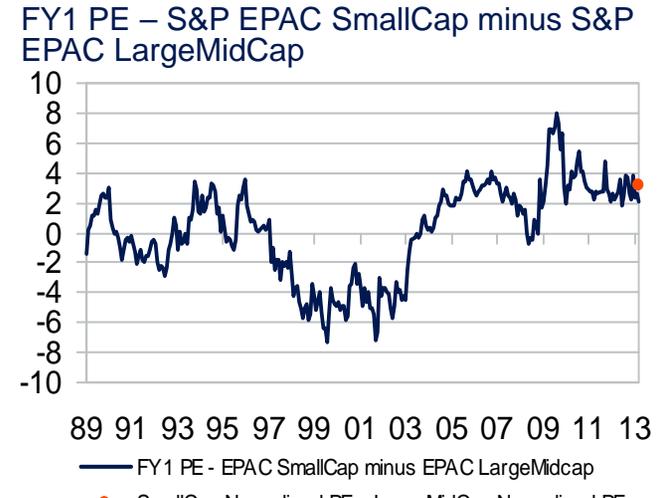
Small Cap Valuations

- Small caps offer good value by historic standards based on cyclically adjusted PERs and Price to book value
- Compared to large cap peers, valuations are reasonable, but not particularly attractive
- Within European small cap, size and performance have been positively correlated over the last two years. If sentiment remains supportive, there is scope for this to reverse

Performance shown is past performance. Past performance is not necessarily a guide to future performance. The value of investment can go down as well as up and is not guaranteed.

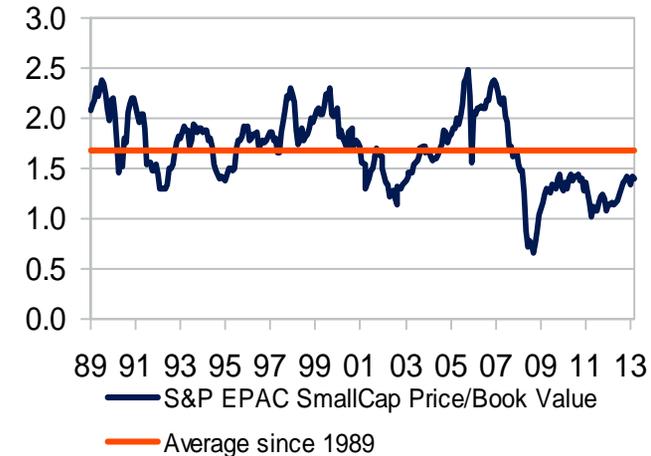


Source: Schroders, S&P, August 31, 2013



Source: Schroders, Factset PA2, S&P, August 31, 2013

and not extended on Price/Book Value



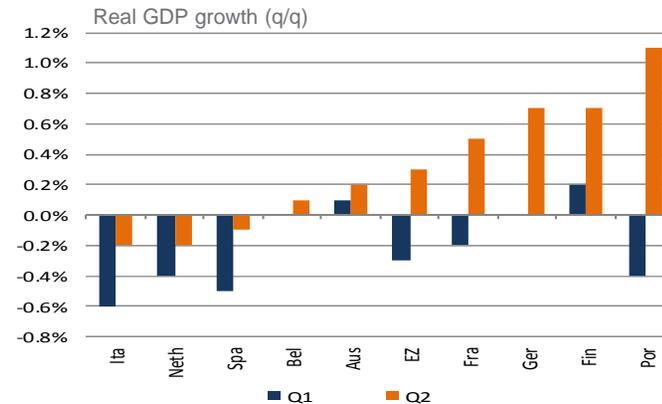
Source: Schroders, S&P, August 31, 2013

Investment Outlook

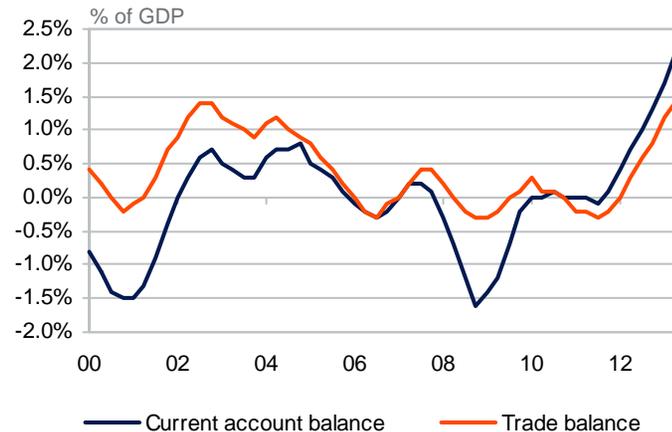
Continental Europe

- Market consensus is that ECB has done enough to stabilize the euro, and in short-term peripheral yields are being compressed
- Internal trade balances are moving in right direction for periphery, but symptomatic of sharply slower economic activity
- Europe still offers pockets of real value at a stock level conditioning only a modest underweighting

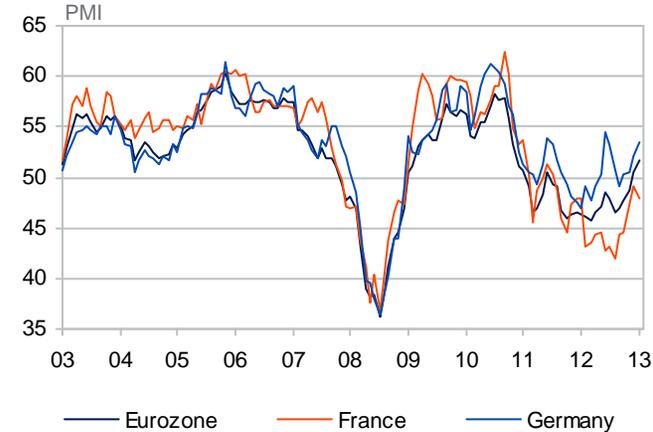
Recovery in Europe in full swing¹



Eurozone's external performance at record high³



Consumer confidence improving²



Europe cheap on long term measure⁴



Source:

¹ Eurostat, ONS, Schroders. 28 August 2013

² Thomson Datastream, Schroders. 28 August 2013

³ Thomson Datastream, Eurostat, Schroders. 27 August 2013

⁴ Thomson Datastream as at 30 June 2013, Schroders

Investment Outlook

Continental Europe - The bottom-up case

Company Classification	Examples			
High Quality Growth	Borregaard 1.2% Tipp24 1.1% Mayr-Melnhof Karton 0.9% Medica 0.8% Azimut Holding 0.7%		Stratec Biomedical 0.6% Schibsted 0.4% Cancom 0.3% Draegerwerk 0.1%	
Periphery Misnomers	Grafton 0.9% Amplifon 0.9% Smurfit Kappa 0.8%		Prysmian 0.7% Irish Continental Grp 0.5% IFG Group 0.4%	
“Rare” Assets	Xing 1.4% Lectra 1.0% Kapsch Trafficcom 0.9%		Groupe Eurotunnel 0.7% Rosenbauer Int 0.7% RIB Software 0.5%	
Compelling Value	Delta Lloyd 1.8% Freenet 1.4% StoreBrand 1.3% Helvetia 1.3%		Kuoni Reisen 1.1% Orior 0.4% Inside Secure 0.3%	

Source: Schroders June 30, 2013. The portfolio data shown is for the Schroder international Small Companies Fund (SISCO). Stocks held and weights are subject to change and should not be viewed as an investment recommendation.

Regions and securities are mentioned for illustrative purposes only and should not be viewed as a recommendation to buy/sell.

The securities shown were/are holdings in the strategy but the timing of purchases, size of position and the return may vary amongst portfolios within the same strategy. A list of all recommendations made for the strategy within the immediately preceding period of not less than one year will be provided upon written request. You should not assume that recommendations made in the future will be profitable or will equal the performance of the security discussed above.

Investment Outlook

United Kingdom

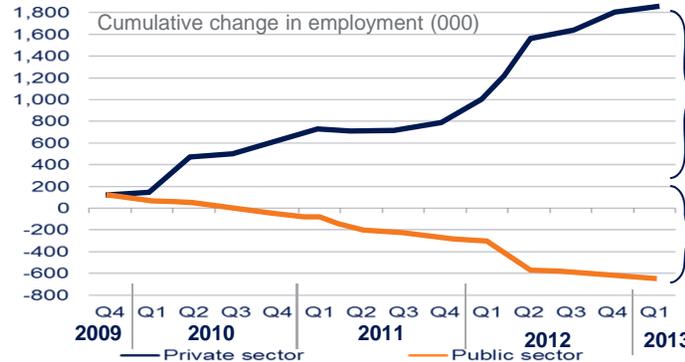
– Small cap performance has been remarkable over the last twelve months

– Signs of economic healing in terms of new business formation, private sector job creation and manufacturing orders

– Continued low interest rates are key, but with that proviso households show signs of healing

– Outlook for housing looks favourable including demographics and access to funding

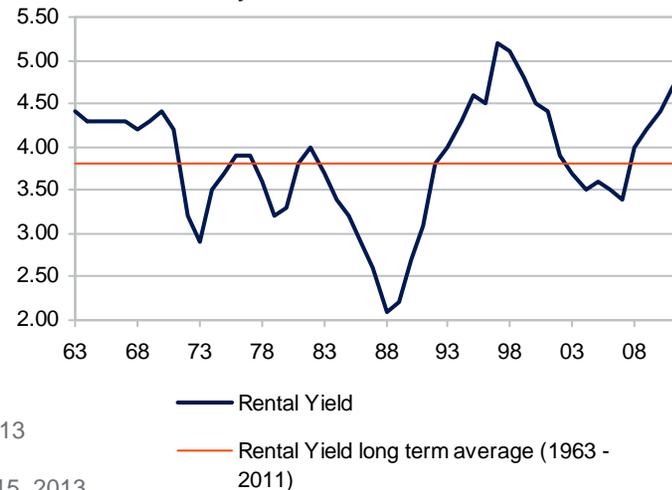
Private sector continues to create jobs¹



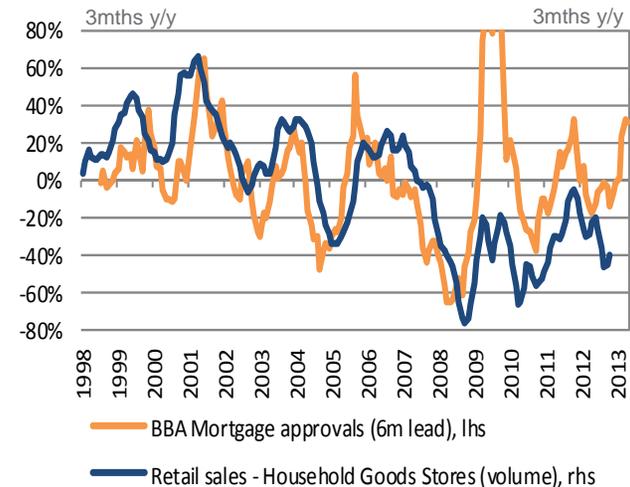
UK PMI is picking up²



UK residential property rental yield is high relative to history³



Housing should support retail sales⁴



Source:

¹ National Statistics, Oriel Securities, Data to March 31, 2013

² Bloomberg, August 31, 2013

³ Thomson Datastream, Shore Capital Stockbrokers. July 15, 2013

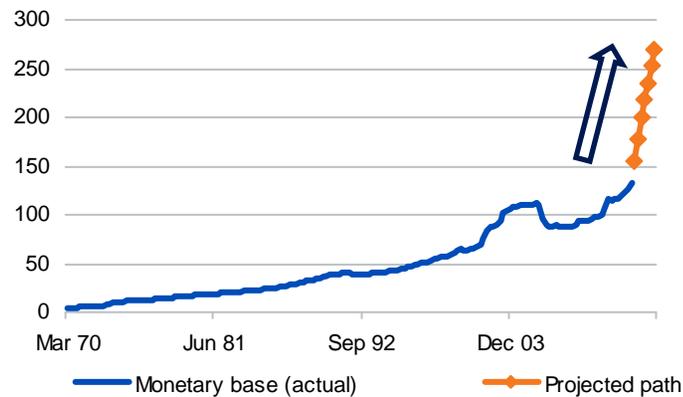
⁴ Thomson Datastream, August 2013

Investment Outlook

Japan

- “Abenomics” a vast experiment in the power of money printing. Can it address entrenched structural issues
- At least temporarily, inflation has responded, and there is some evidence of change in expectations
- Massive fiscal stimulation – not a radical departure from tradition
- Tough “third arrow” measures remain the issue

Monetary base (actual and projected)¹

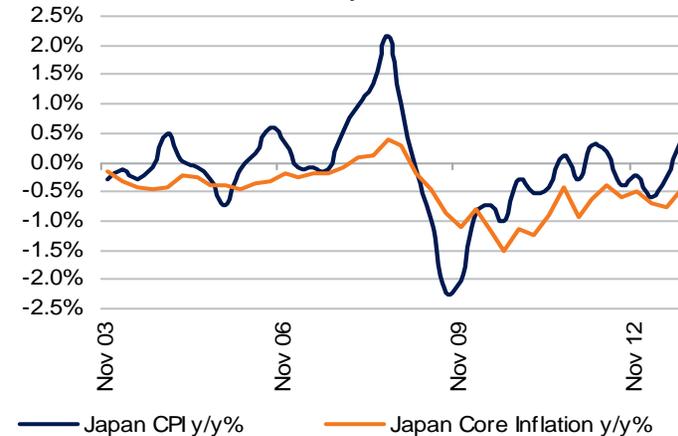


"Third arrow" of Abenomics (growth strategy)

So far:

- Strengthening infrastructure
- Reduce waiting list for childcare to zero by 2017
- Shorten approval procedures for pharmaceuticals and medical device
- Lift ban on internet sale of OTC medicine
- Establish deregulated economic zones

Inflation – careful what you wish for²



Need to see at least some of:

- Employment law – redundancy procedures
- Making independent director appointments compulsory
- Allow farm land to be owned by non-agricultural corporations
- Corporate tax rate

Source:

¹ BOJ and Credit Suisse. As at 31 March 2013

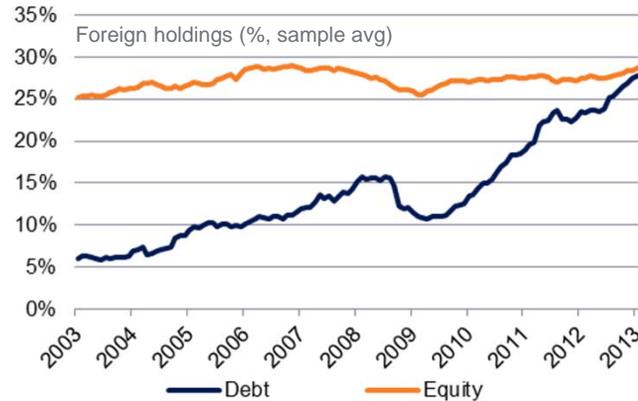
² Thomson Datastream. August 2013

Investment Outlook

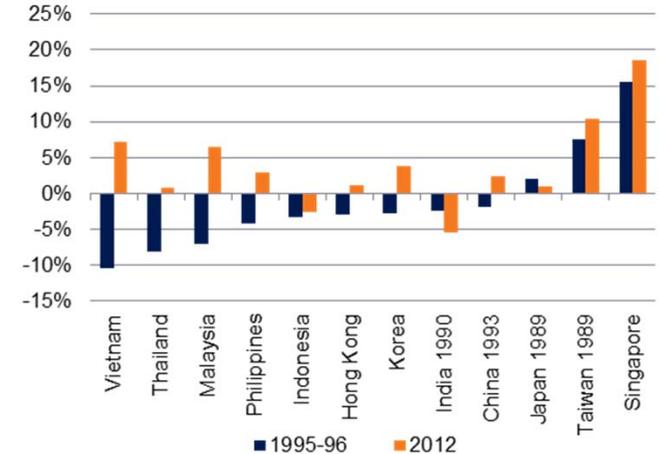
Asia ex Japan / Emerging Markets

- Sell-off has exposed region's vulnerability through hot money in EM debt markets
- Earnings as with other regions the key
- Valuations have returned to very attractive levels
- External fundamentals of the region are generally strong in terms of FX reserves and current accounts

Foreign debt and equity holdings in Asia¹



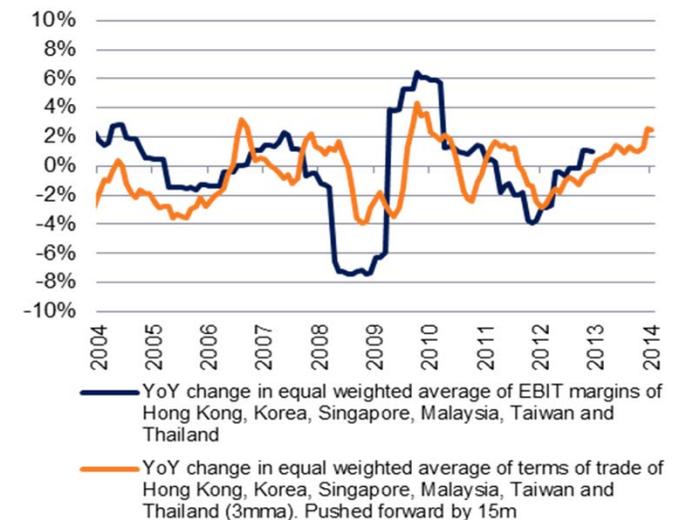
Current Account Balance as % of GDP²



Price to book value (x)³



Improvement in terms of trade positive for margins⁴



Source:

¹ Emerging Advisors Group, June 2013

² DSG Asia, May 2013

³ Citi Investment Research, 31 August 2013

⁴ Source: Bank of America Merrill Lynch, September 2013

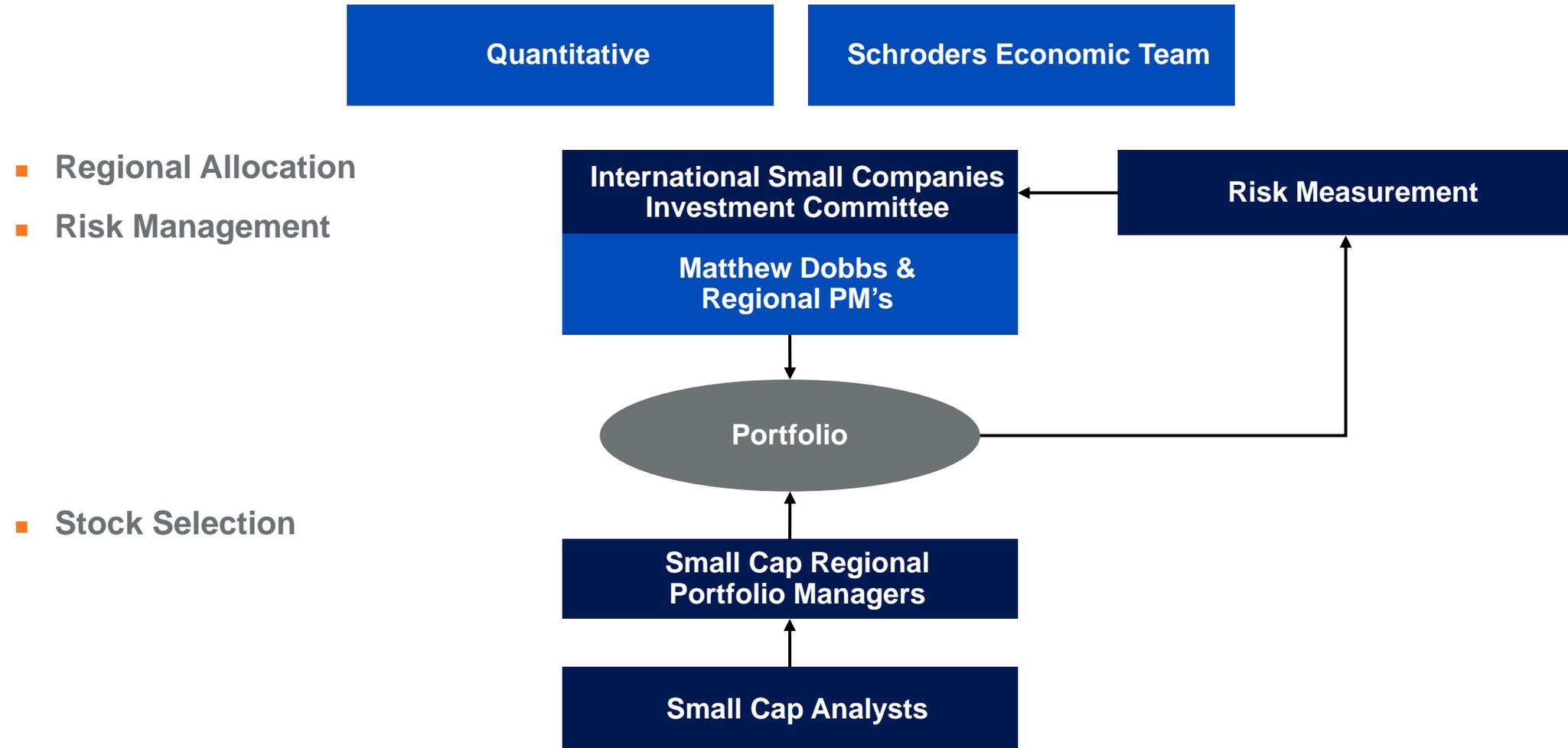
Appendix



Schroders

Investment process

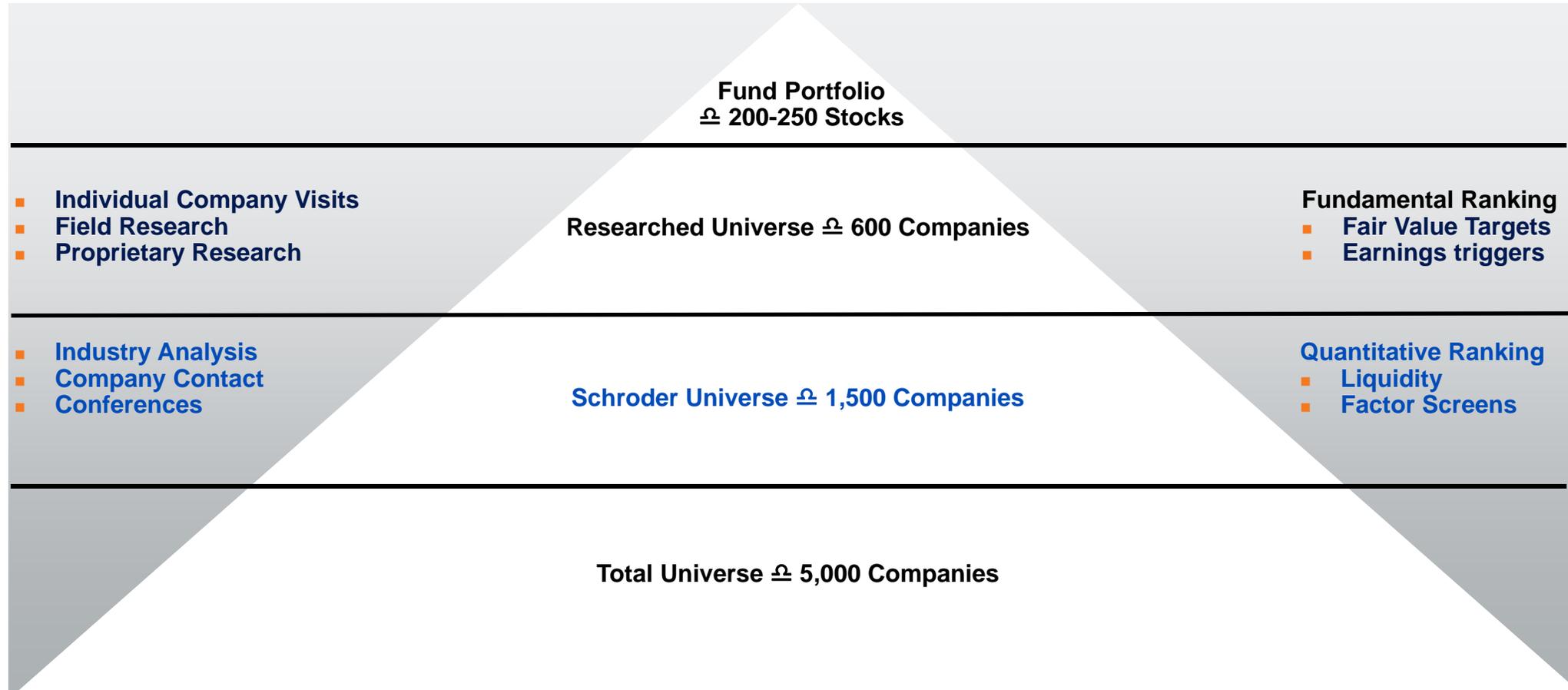
Overview



Source Schrodgers as of June 30, 2013

Investment process

Stock selection



Investment process

Factor screens help define Schroder universe

- Concentrate investments in quintiles 1 and 2
- Source new ideas
- Challenge views on stocks held in quintiles 4 and 5

The equally weighted metrics underlying each criterion are:

Criterion	Metrics
Growth	EPS revisions Revisions ratio
Quality	ROE ROA Change in ROE (year on year)
Value	Earnings yield

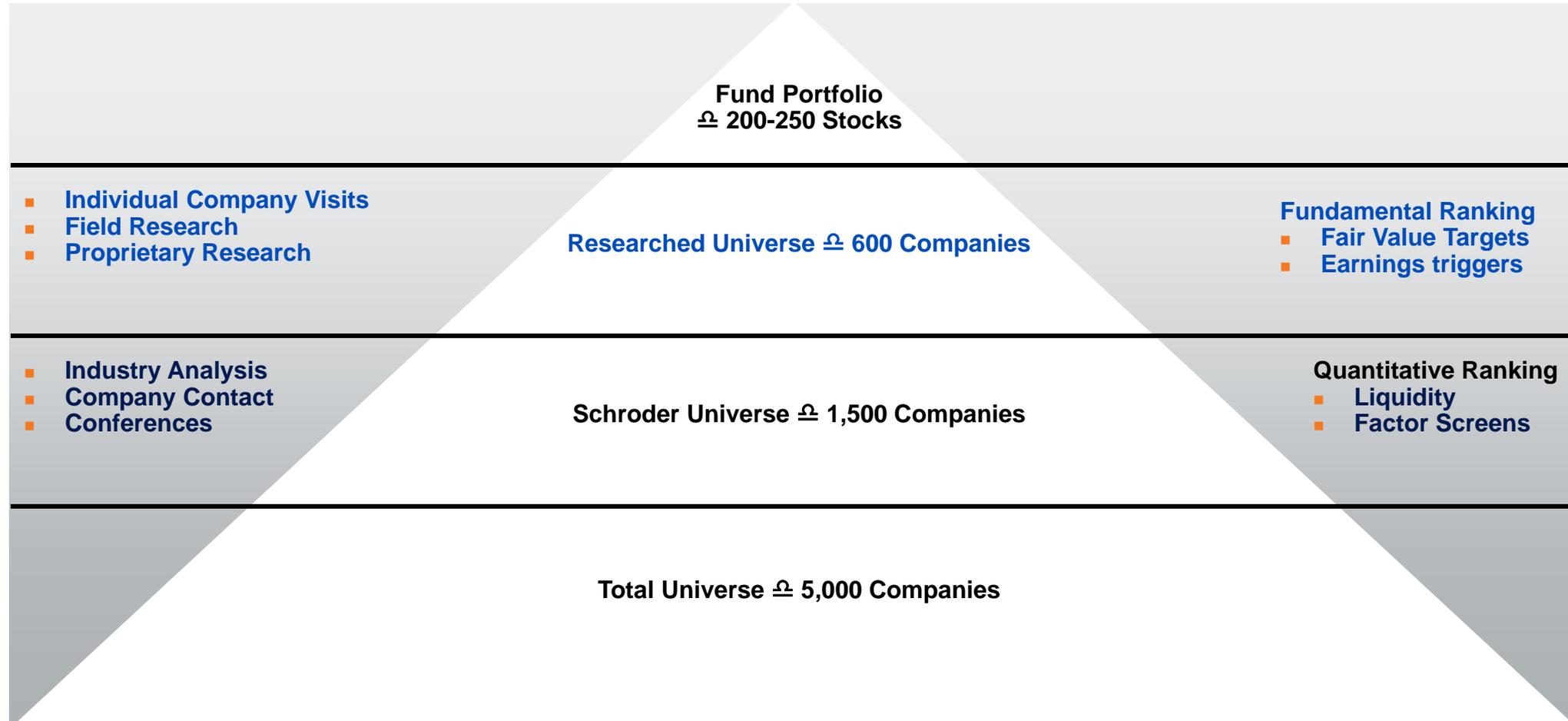
Pan-Europe - April 30, 2013				VALUE				QUALITY				EARNINGS										
Company	SEDOL	% Rank	COMBINED	Market	Price	% Rank	PE Ratio	Eams. Yld	% Rank	ROE	ROE	Return on	% Rank	Change	% Rank	% Rank	Change	EARNINGS	EPS	EPS	Revisions	Revisions
Symbol	Company Name	Number	Country	Cap	(Euros)	(OVERALL)	(FY1 earnings)	(=1/PE)	(OVERALL)	(%)	(trailing earnings)	(%)	Total Assets	(%)	in ROE	in ROE	(OVERALL)	(%)	(%)	(%)	(%)	(%)
B188LG	AKKA TECHNOLOGIES	B188LG	FRANCE	354	25.6	6	7.9	6	11	29.2	9	7.0	26	0.2	41	7	29.8	17	14.3	18		
462719	BORUSSIA DORTMUND	462719	GERMANY	203	3.3	6	7.6	6	2	31.6	7	11.1	12	11.3	4	9	12.1	32	33.3	7		
416837	CAMFIN	416837	ITALY	624	0.8	3	6.1	3	7	16.8	28	8.5	19	3.8	13	17	44.4	13		43		
B02TCP	DOCDATA NV	B02TCP	NETHERLANDS	102	14.5	7	7.9	7	4	22.2	16	9.1	18	11.3	4	4	28.5	18	50.0	4		
B09HXM	DOLPHIN GROUP ASA	B09HXM	NORWAY	297	0.9	3	5.7	3	5	21.5	17	10.3	13	2.6	18	26	83.6	7	-9.1	62		
573467	DRILLISCH AG	573467	GERMANY	834	15.7	2	5.5	2	11	16.4	29	4.3	43	95.3	1	1	429.1	1	60.0	3		
B00ZC7	KARDEX AG	B00ZC7	SWITZERLAND	204	26.4	11	8.9	11	2	28.4	9	9.0	18	31.2	2	10	32.4	16		27		
B704L0	MAUREL&PROM NIGERI	B704L0	FRANCE	437	3.8	13	9.5	13	3	18.5	24	16.9	5	16.2	3	12	73.9	8		39		
059911	MOLINS	059911	UNITED KINGDOM	36	1.8	5	7.3	5	6	21.3	18	9.3	17	2.2	19	21	15.7	27		36		
774212	NORWEGIAN AIR SHUT	774212	NORWAY	1,370	39.0	23	11.1	24	7	31.5	8	3.9	47	18.3	3	1	108.9	5	100.0	1		

Source: Schroders

The security information shown is for illustrative purposes, is subject to change, and is not a recommendation to buy/sell. Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed.

Investment process

Stock selection



Source Schroders as of June 30, 2013

Investment process

What we look for in investments

Quantitative

Sustainable Growth

- High real EPS growth
- Visibility of earnings
 - Strong product or service franchise
 - Strong market share
 - Beneficiary of structural change
- Limited financing risk

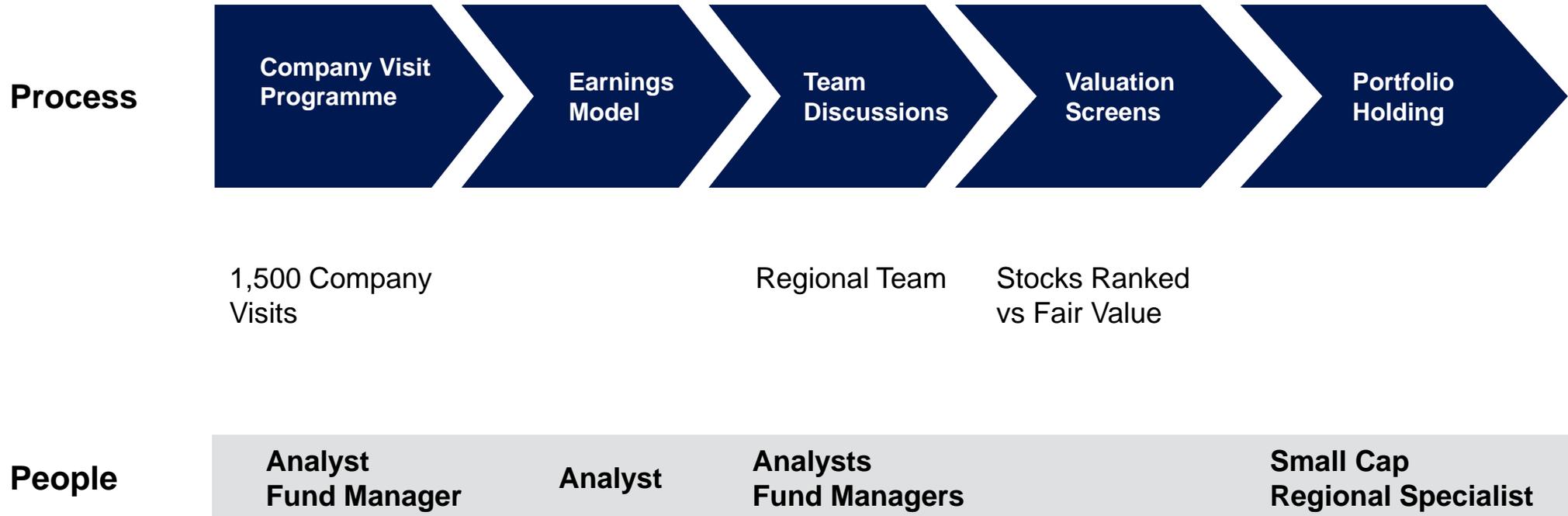
Qualitative

Management Assessment

- Interest in shareholder value
- Focused strategy
- Sound business practices
- Historic record of success
- Length of time with company

Investment process

Building stock portfolios



Investment process

Sell discipline

Our methodology allows us to identify holdings that offer poor relative potential and in which conviction is low

The decision to sell a position may be based on:

- Position reaches fair value target price
- Opportunity cost perceived in comparison to alternative investment
- Fundamental deterioration makes original target price no longer appropriate

Investment process

Portfolio construction – Overview

- Smallcap regional portfolio managers have primary responsibility for regional portfolio construction
- Regional and Sectoral weightings are reviewed by smallcap team to ensure compliance of overall portfolio with
 - Regional Allocation targets
 - Risk/Return expectations
 - Avoidance of unintended biases (i.e. sector over-concentration)
- Supplemented by ongoing monitoring of overall portfolio by Matthew Dobbs

Investment process

Portfolio construction - Regional allocation



* Source Schroders as of June 30, 2013

Investment process

Controlling portfolio risk

PRISM brings together alternative risk measurement and management tools into a single report

- Online
- Interactive

PRISM integrates both internal and external tools

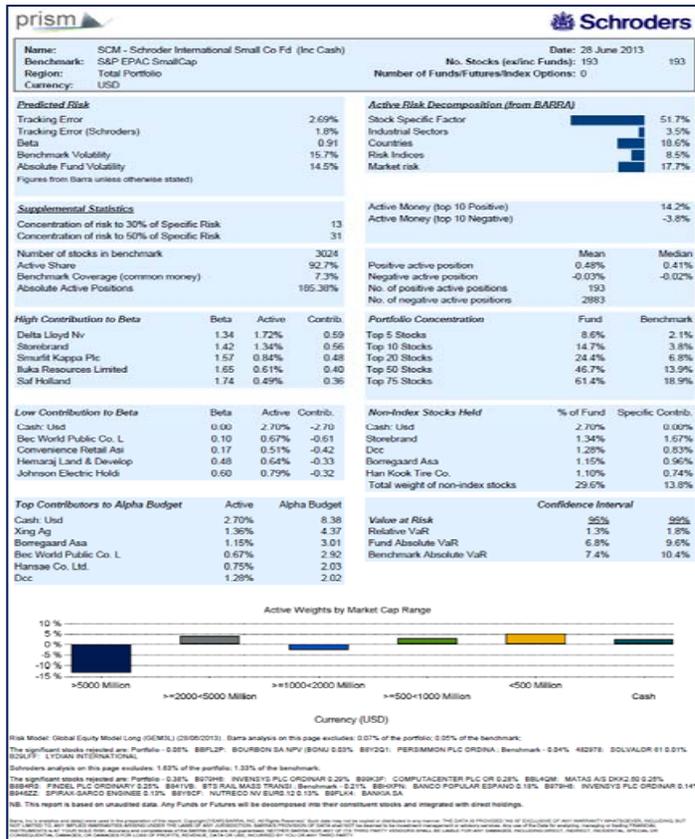
- Risk analysis
- Characteristics analysis
- Other statistical measures

The PRISM Risk Report identifies active risk and the sources of risk by decomposing active portfolio positions into Stock Specific/Sector and Style factors

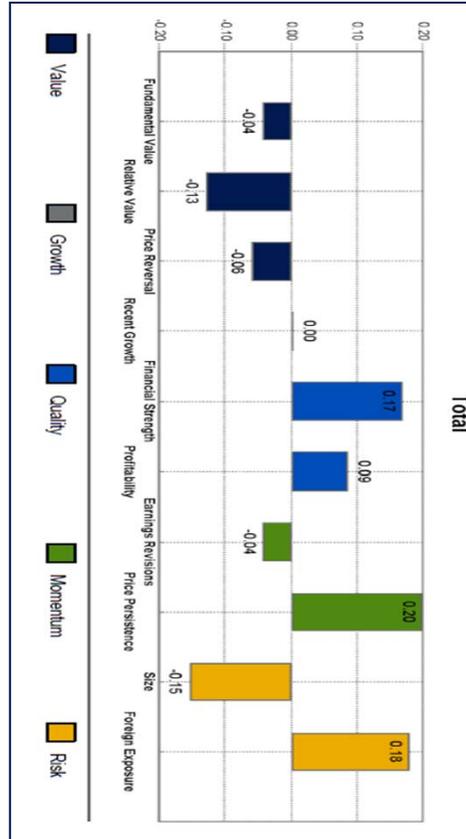
Investment process

Portfolio risk investment strategy manager – overview

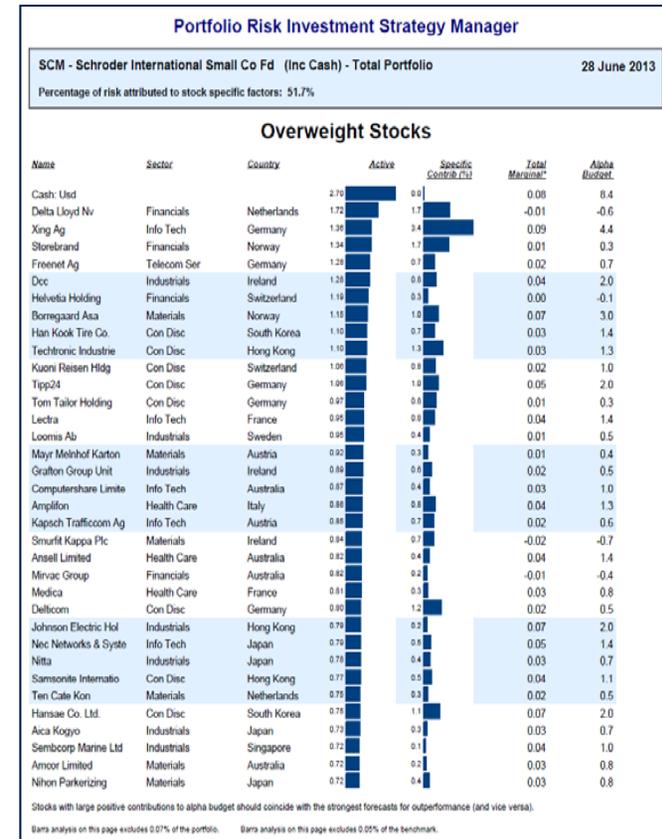
Overview



Characteristics



Stock Detail



The security and portfolio information shown is for a representative account within the Schroder US International Small Cap Fund Composite. The information is intended to illustrate the risk management process and should not be viewed as a recommendation to buy/sell. See the Composite Disclosure and Performance information at the end of this presentation

Risk management

Risk management guidelines

- Cash not to exceed 5% of the value of the fund
- Stock weights: No formal limits, but generally between +/- 2% relative to the benchmark
- Sector weights: No formal limits, but generally between +/- 7% relative to benchmark
- Country weights: No formal limits, but generally between +/- 7% relative to the benchmark
- Emerging Markets subject to client preference
- Derivatives: Not used

Biographies

Portfolio Manager

Matthew Dobbs joined Schroders in 1981. Following 4 years in Research, Matthew has been involved in both global and specialised Pacific Basin portfolio management. He took overall responsibility for international and global SmallCap in 2000 having been, prior to that, Pacific ex Japan SmallCap specialist, and has held a SmallCap role since 1996

Europe

Rosemary Banyard graduated from Cambridge University in 1979 with an Honours Degree in Classics. She joined James Capel as a graduate trainee, spent two years advising non-discretionary private clients on their investments, and then moved into equity research, specialising in the textiles sector. In 1995 she completed an MBA at London Business School and joined John Govett where she managed the UK Small Companies Unit Trust. She joined Schroders in November 1997 as a member of the SmallCap Team

Andrew Lynch is a Pan-European SmallCap specialist. He joined Schroders in 1998 having completed internships within the Schroder Group. He manages a mixture of institutional funds and unit trusts. Andy has a degree in Politics, Philosophy and Economics from Balliol College, Oxford

Andy Brough graduated from Manchester University with a Degree in Economics before joining Price Waterhouse where he qualified as a Chartered Accountant. He joined Schroders in 1987. He is Head of our UK Smaller Companies Fund Management Team. Andy has specialised in SmallCap since 1987

Luke Biermann graduated from Bath University with a 1st Class Honours BSc degree in Computer Science. He joined Schroders in October 2006, and has joined the SmallCap team as an analyst

Iain Staples joined Schroders in January 2012 as a UK SmallCap analyst. He joined with thirteen years of prior experience as a UK equity analyst covering a wide range of sectors, and prior to that four years as a management consultant. He holds an MA degree in mathematics from Cambridge University, and a BSc from UMIST in Theoretical Physics

Hannah Piper joined Schroders in July 2012 as a Pan-European SmallCap Analyst. After graduating from Durham University with a BSc degree in Natural Sciences she joined Price Waterhouse Coppers where she qualified as a Chartered Accountant. Hannah joins us with 2 years investment experience most recently at UBS Securities where she was a top rated chemicals analyst.

Rory Pike joined Schroders in 2010 starting with the Corporate Responsibility Team. He transferred to the Small Cap team in April 2012. He is a graduate of Trinity College, Dublin

Biographies

Japan

Takuya Furutani joined Schroders as a smallcap analyst in November 2003. He was formerly with Lombard Odier Darier Hentsch, and prior to that Commerz International Capital Management. His investment career commenced in 1994. He has a degree in Business Administration from Northeastern University, Boston

Andrew Rose is a graduate in Japanese and Politics, University of Sheffield and spent a year on a Japanese Government Scholarship to Kobe University to study International Economics. He joined Schroders in 1981 as an analyst, moving to Tokyo in 1984 for three years. Returning to London in 1987, he was responsible for Japanese equity investments for SIM UK and continental European clients. He was seconded to SIM (Japan) as Senior Investment Officer in 1996 with responsibility for Schroders' Japanese equity and SmallCap policy. He has held his SmallCap responsibilities for 16 years

Ayumi Kobayashi joined Schroders in July 2004. She was previously an equity analyst with Yasuda Asset Management, and started her investment career in April 1990. Ayumi has a degree in law from Sophia University, an MBA from Insead and is a CMA

Kazuhiro Toyoda joined our Japanese smallcap team as an analyst on 1st April 2008. Mr Toyoda 10 years investment experience with Nippon Life, the largest life insurance company in Japan, and most latterly worked in a JV between Nippon Life and Hermes, the UK based fund manager. He is a graduate of Tokyo University, has an MBA from Niigata University, and is both a CFA and a CMA

Kota Takahashi joined Schroders as a Japanese smallcap analyst in February 2013. His investment career commenced upon joining Goldman Sachs Asset Management in 2006 as a Japanese equity small cap portfolio manager, as well as covering machinery, and the Internet and Game sector as a sector analyst from 2008. Kota is a graduate of Keio University and is a CFA charterholder

Biographies

Pacific ex. Japan

Paul Rathband joined Schroders in August 2011 as an Asian SmallCap analyst based in Singapore. His investment career commenced in 1991 in Hong Kong with W.I. Carr Securities, covering Hong Kong, Singapore and Malaysian markets. He joined Schroders from RBS Asia Securities in Singapore, where he was Managing Director and responsible for Asia ex Japan research sales. Prior to RBS, Paul was at Arab Malaysian Securities based in Kuala Lumpur

Richard Sennitt joined Schroders in October 1993 as a Japanese analyst, and has managed specialist Asian equities since 1997. He joined the small cap team in December 2007. He is a member of the International Small Cap Investment Committee and Co-manager of Global Small Cap Funds. Richard is a graduate of Oxford University, an Associate Member of UKSIP and is a member of the CFA Institute

Yoon Hee Kyoung joined Schroders in 2007 as an analyst covering smallcap consumer and service stocks in Korea. She has had experience working in both securities and asset management companies in a research capacity. She holds a degree in Arts and Economics from the State University of New York

Kim Young Roe joined Schroders in April 2008 as an analyst covering construction, shipbuilding and infrastructure stocks in Korea. His investment analytical career started in 1999, and he has since held appointments in both domestic and foreign-owned securities companies. He has a BA degree from Seoul University

Jacqueline Kuek joined Schroders in December 2005 as an equity analyst with the Asia ex Japan team with responsibility for Singapore stocks. She became a member of the Global Smallcap team in June 2009. Her investment career commenced upon joining Morgan Stanley as a research analyst in 2000. She holds a degree in Accountancy from Nanyang Technological University, and is both a CFA Charterholder and a Certified Public Accountant

Jing Li joined Schroders in November 2010 as an analyst based in Hong Kong covering Hong Kong and Chinese smallcap stocks. She was formerly with a small Hong Kong based private equity company, and prior to that Morgan Stanley where her investment career commenced in 2004. She has a BA in Economics/Computer Science from Smith College

Rebecca Xu joined Schroders in June 2010 before transferring to Hong Kong in August 2011 to work as an equity analyst responsible for Chinese equity research. Her investment career commenced in 2009 with RBS where she was an investment banking analyst. She has a MPhil in Management from the University of Cambridge and a BA in Journalism and Communication from Tsinghua University. Rebecca joined the SmallCap Team as an analyst in September 2012

Gina Kim Ji Yong joined Schroders in Singapore in September 2012 as a SmallCap analyst. Gina has eight years of experience as a stock analyst, with four years of consulting prior to that. She is a graduate of Cambridge University, and a CFA charterholder

Important Information

Risks associated with International Small Companies: All investments involve risks including the risk of possible loss of principal. The market value of a fund's portfolio may decline as a result of a number of factors, including adverse economic and market conditions, prospects of stocks in the portfolio, changing interest rates, and real or perceived adverse competitive industry conditions. Investing in foreign securities, may magnify risks due to changes in foreign exchange rates and the possibility of substantial volatility due to political and economic uncertainties in foreign countries. Investments in small capitalization companies generally carry greater risk than is customarily associated with larger capitalization companies, which may include, for example, less public information, more limited financial resources and product lines, greater volatility, higher risk of failure than larger companies, and less liquidity.

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The opinions stated in this presentation include some forecasted views. We believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know. However, there is no guarantee that any forecasts or opinions will be realized.

Past performance is no guarantee of future results. The value of an investment can go down as well as up and is not guaranteed.

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Performance Figures

Performance figures are presented on a "gross basis" not reflecting the deduction of investment advisory fees.

Index Benchmark Comparison

Performance is compared to the S&P EPAC SmallCap Index (prior to October 1st 2008 the index name was S&P/Citigroup EMI EPAC), a widely accepted benchmark for International equity accounts. This index is unmanaged and does not reflect the deduction of any fees or expenses.

Past Performance

The returns presented represent past performance and are not necessarily representative of future returns which may vary. The value of investments can fall as well as rise as a result of market or currency movements

Opinions

Schroders has expressed its own views and opinions in this presentation and these may change

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September 2013

